



January 22, 2007

***Via UPS 2nd Day (Signature Required)
& First Class U.S. Mail***

Stephanie O'Callaghan
11 Glengary Road
Groton-on-Hudson, NY 10520

Re: *Territory: Dobbs Ferry/Hastings-on-Hudson/Irvington, New York
Franchise #: 100672*

Dear Stephanie:

By letters dated January 5, 2007 and August 18, 2006, Curves International, Inc. ("Curves") notified you of its intent to terminate your interests and rights under the Franchise Agreement dated July 6, 2000, for *the city limits of Dobbs Ferry, the city limits of Hastings-on-Hudson and the city limits of Irvington, New York* ("Agreement"). Curves hereby terminates your right and authority to operate a *Curves for Women®* franchise pursuant to the Agreement for your continued failure to pay fees in accordance with Section 3 of the Agreement. Curves demands and expects your immediate compliance with the following contractual provisions under said Agreement:

1. Payment of monthly royalty fees due to Curves pursuant to Section 10A of the Agreement in an amount of \$3,555.00 for April 2006, May 2006, June 2006, July 2006, August 2006, September 2006, October 2006, November 2006 and December 2006 not submitted to Curves, as well as late fees due to Curves pursuant to Section 10C of the Agreement in an amount of \$315.00; and
2. Payment of future monthly royalty fees due to Curves pursuant to Section 10A of the Agreement to Curves in an amount of \$14,220.00; and

3. Payment of monthly advertising fees due to Curves pursuant to Section 10B of the Agreement in an amount of \$1,755.00 for April 2006, May 2006, June 2006, July 2006, August 2006, September 2006, October 2006, November 2006 and December 2006 not submitted to Curves, as well as late fees due to Curves pursuant to Section 10C of the Agreement in an amount of \$315.00; and
4. Payment of future monthly advertising fees due to Curves pursuant to Section 10B of the Agreement to Curves in an amount of \$7,020.00.

In addition, you have certain contractual obligations which survive the termination of your interests and rights under the Agreement, including, without limitation, the following:

1. Cease to use Curves' system and methods of operation;
2. Cease to use Curves' trademark or any confusingly similar name, device, mark, service mark, trademark, trade name, slogan or symbol used in connection with the Franchise, including any reproduction, counterfeit copy, variation, emulation or colorable imitation thereof which is likely to cause confusion or mistake or deceive the public;
3. Take any steps necessary to change the name of any corporation or entity which you may have formed, or under which you trade or do business so that the name will not likely be confused with Curves' trademarks;
4. Assign to Curves the telephone number and telephone listing used by you in connection with the operation of the Franchise. Promptly transfer all telephone calls by call-forwarding to Curves at 800-848-1096;
5. Provide information to Curves of the lease arrangements of the building where the Franchise was located;
6. Assign and deliver to Curves, at your expense, any and all check drafts for any and all memberships, any and all membership lists (past and present), and any and all leads for potential members for the Franchise. Do not duplicate any membership lists or leads, past or present, used in any manner with the business, and destroy any and all copies of membership lists, leads, and check drafts used in any manner with the business;
7. Pay all sums and debts owing to all third-party creditors of the Franchise, as well as to Curves and its affiliates, whether such sums and debts owing

to Curves and its affiliates are evidenced by promissory note, invoice, bill or other writing and notwithstanding the fact that such sums and debts owing to Curves and its affiliates may not at that time be fully due and payable, such debts being accelerated automatically without further notice to you;

8. Return to Curves, at your expense, all printed material furnished to you, including, without limitation, all Curves' manuals, advertising material, stationery and printed forms and all other matters relating to the operation of the Franchise and/or bearing Curves' trademarks;
9. Satisfactorily resolve all customer disputes; and
10. Refrain from doing anything that would imply or indicate, or might be anticipated to imply or indicate, that you are an authorized *Curves for Women*® franchisee.

If you fail or refuse to effect the obligations set out above within **FIFTEEN (15) DAYS** of your receipt of this letter, Curves has the right to execute in your name, and on your behalf, any and all documents necessary to effect said obligations and to take such other actions as Curves deems appropriate to enforce the Agreement. In addition, Curves is entitled to recover all damages, costs and expenses (including reasonable attorney's fees) incurred by Curves as a result of your default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Curves against any and all of the vehicles, personal property, furnishings, equipment, signs, inventory, fixtures or other assets owned by you and used in the Franchise at the time of default.

Finally, you are reminded of Section 20 of the Agreement in which you agree not to operate any aerobics, fitness and/or weight loss business or any similar business.

Please deliver the items requested above to Curves Legal Department at 100 Ritchie Road, Waco, TX 76712. If you have any questions, please feel free to contact the Legal Department in writing via facsimile at (254) 399-9509, or via email at curveslegal@curves.com.

Very truly yours,

Curves International, Inc.

By: 
Jeff Burchfield
Assistant General Counsel

curves
SHIPMENT RECEIPT
01/23/07 10:46 AM

UPS Account No.: E79647
Sorted By: Order of Shipment

| Name/Address | Shipment Detail | Options | Reference Rate Charges |
|---|--|---|---------------------------------|
| Ship To: STEPHANIE O'CALLAGHAN 11 GLENGARY RD CROTON ON HUDSON NY 10520-2139 (Residential) | Service Type: UPS 2ND DAY AIR Total Packages: 1 Hundredweight: No Billable Wt.: LTR Billing Option: Prepaid Package Ref No.1: Legal | Shipment Service Charge: | \$ 13.47 |
| Ship From: curves 100 Ritchie Rd WOODWAY TX 76712 | | | |
| | Tracking No.: 1ZE796473578053315 Package Type: UPS Letter Package Ref No.1: Legal | Delivery Confirmation Charge: Shipper Amt: UPS Total Charge*: | \$ 2.25 \$ 15.72 \$ 15.72 |

Summary Totals:

| Shipment Option | Shpts | Pkgs | Ref Charges | Billing Option | Shpts | Pkgs | Ref Charges |
|-----------------------|-------|------|-------------|----------------|-------|------|-------------|
| Package Option | | Pkgs | Ref Charges | Prepaid | 1 | 1 | \$ 15.72 |
| Delivery Confirmation | | 1 | \$ 2.25 | TOTAL CHARGES* | | | \$ 15.72 |
| | | | | 1 Shipment(s) | | | |
| | | | | 1 Package(s) | | | |

* Fuel Surcharge Included